IMPACT OF CREDIT RISK MANAGEMENT ON FINANCIAL PERFORMANCE OF HOUSING FINANCE COMPANIES OF INDIA (A COMPARATIVE STUDY BETWEEN SELECTED PRIVATE AND PUBLIC HOUSING FINANCE COMPANIES OF INDIA)

Synopsis

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1. INTRODUCTION

Housing is an important component and a measure of the socio-economic status of the people. Housing being one of the three basic needs of life always remains one of the top priorities of any person, society, and economy. As a human being, an individual needs his own space and privacy, which can be provided by the ownership of a house. It is regarded as a critical sector in terms of policy initiatives and interventions. A large portion of our population is still lacking proper housing facilities. The housing problem in India is an upsetting problem both in the rural and the urban areas. One of the main reasons of the problem of the housing shortage is the size of the population. It is said that one among every six persons in the world is an Indian. India stands second among the world's largest populated countries.

1.1 HOUSING FINANCE IN INDIA

India is one of the fastest developing economies in the world and is expected to be one of the top three economies in the financial year 2030. This economy is considered the sixth-largest economy by nominal GDP as well as the third-largest Purchasing power parity (PPP) in the world due to the increasing per capita income in the last decade. In India, housing finance companies (HFCs) are gradually moving ahead due to immense demand, development, and pecuniary support. They are not just providing credit for a house but helping people to fulfill their dreams. In the first 25 years of post-independence, India concentrated on agricultural development only after the industrial revolution and the continuous shifting of the rural population to urban areas, the need for the development of the housing sector has been emphasized. It is always a dream of an individual to own a house but a majority of the population does not have the required financial assistance to own a house. Eyeing this as an opportunity, many firms have opted for extending housing loans not only to boost their bottom lines but also to reduce the prevailing demand and supply gap. The genuine demand arising out of the individual need for housing, together with the present boom in the housing sector is all set to provide a platform for the housing finance companies to carve out a piece of fortune.

Housing Finance Company is a non-banking financial company that is engaged in the principal business of financing of acquisition or construction of houses that includes the development of plots of land for the construction of new houses. The Housing Finance Company is regulated by the RBI. Any

non-banking finance company can operate as a housing finance company, subject to the fulfillment of basic requirements as specified in the Companies Act, 2013.

Features of Housing Finance Companies are as follows:

1. NBFC: The provisions for the regulation of HFCs are provided under the National Housing Bank Act, 1987 ("NHB Act") with the National Housing Bank ("NHB") being the regulatory authority for HFCs. In 2019, the NHB Act was amended and certain powers for the regulation of HFCs were conferred with the Reserve Bank of India ("RBI") according to such amendments. As a result thereof, the exemptions granted to HFCs under the RBI Act were withdrawn and the provisions of Chapter IIIB (except Section 45-IA (Requirement of Registration and Net Owned Fund)) of the RBI Act were made applicable to all HFCs vide a notification dated 19 November 2019 issued by the RBI.

2. Net Owned Fund (NOF): The Revised Framework has increased the minimum NOF requirement for HFCs from earlier INR 100 million to INR 200 million. As per the Revised Framework, every company proposing to commence/carry on the housing finance business as its principal business shall be required to have a NOF of not less than INR 200 million. Existing HFCs having NOF less than INR 200 million shall be required to achieve NOF of not less than INR 150 Million by 31 March 2022 and NOF of not less than INR 200 Million by 31 March 2023.

3. Registration under the Companies Act 2013/1956: The Company has to satisfy the requirements of an entity under the Companies Act, 2013, or the Companies Act, 1956.

4. Objects: The objects of this form of a company must be for financing housing and other commercial complexes. Apart from providing finance, the company must also have the prospects of earning. The management must act in the good faith of the public and other consumers. They must act in the interests of the public.

1.2 HISTORY OF HOUSING FINANCE COMPANIES

In 1985, the RBI made many recommendations for liberalization in the housing finance system based on the report of the Chakraborthy Committee. In 1987, an amendment for HFCs came which allow the Life Insurance Corporation (LIC) and the General Insurance Corporation (GIC) to enter the housing finance business. In 1988, the National Housing Bank was set up as a subsidiary of the RBI to act as an apex regulatory and promotional agency. In 1989, the RBI allowed Commercial banks to issue

large loans for housing without imposing rigid restrictions on the interest rate or loan quantity ceiling. National Housing Bank (NHB) was set up in July 1988 with equity support from the RBI and is intended to act as the apex institution for coordinating and developing housing finance schemes. Later, the UTI set up in 1989, a Housing Construction Investment Fund for direct investment in construction projects and real estate development. The entry of LIC and GIC and many banks like SBI and Canara Bank through their subsidiaries have started to be another landmark in the promotion of the housing industry.

Table: 1 Phases of Housing Finance Industry in India

Phase 1	Before 1970	Government domination
Phase 2	1970-80	HUDCO and HDFC establishment
Phase 3	1980-90	Establishment of NHB
Phase 4	1990-2000	Liberalization of Interest rate
Phase 5	2000 to Present	High Growth

The setting up of the National Housing Bank as a fully owned subsidiary of the RBI, and as an apex institution was the culmination of the fulfillment of a long-overdue need of the housing finance industry in India. The system has also been characterized by the emergence of several specialized financial institutions, which have considerably strengthened the organization of the housing finance system in the country. In the 1990's the pace set in the earlier decades was carried forward. Many HFCs were set up under the direction of the NHB. The process of liberalization covered the retail housing finance sector substantially. The most significant 48 change was the enhancement of the amount set aside by the commercial banks for their lending to the housing sector from 1.5 percent to 3 percent (Union budget 1999-2000).

The RBI took over the regulation of housing finance companies from the National Housing Bank in August 2019, and in June 2020, released the draft guidelines. Guidelines proposed that HFCs will henceforth be treated as one of the categories of Non-Banking Financial Companies (NBFCs) for regulatory purposes. Reserve Bank will carry out a review of the extent regulatory framework applicable to the HFCs. Also, any housing finance institution, which is a company, desirous of making an application for registration under sub-section 2 of section 29A of the NHB Act, 1987 (as amended by Act 23 of 2019) must approach the department of Non-Banking Regulation at the RBI.

1.3 CREDIT RISK MANAGEMENT

Risk is an important component of uncertainty and the prospect of loss that may occur in any business transaction anywhere, at any time. The word "risk" is derived from the Italian word "resicare" which means "to dare". Basically, the risk is more a choice than a fate. From a financial point of view, business risk is comprised of operational risk, credit risk, market risk as well as other risks.

1. **Credit risk**: Credit risk means the probability of borrowers' failure to meet required financial accountability. Credit risk management encloses the establishment of identity, assessment, matching mitigations, observation as well as supervision of the credit risk exposures.

2. **Market Risk:** Market risk has been defined as the possibility of an investor experiencing losses due to factors that affect the overall performance of the financial markets in which he or she is involved. Market risk is also called "Systematic risk" which cannot be eliminated through diversification.

3. **Operational Risk:** Operational risk defines the risk that a company undertakes when it attempts to operate within a given field or industry. Operational risk is the risk not inherent in financial, market-wide risk. It is that kind of risk that remains after determining the finance and systematic risk as well as includes risks resulting from breakdowns in internal procedures and systems.

Credit risk is a core risk which is felt in banking activities and it is essential to choose the tool for restraining and managing this risk correctly with the aim of minimizing credit risk. Credit risk management is indispensable for evaluating the risk of a particular loan or risk of the whole portfolio, e.g. concentration of loans, and correlation of the debtor's risk. If there is any loophole in the case of credit risk appraisal, the recovery of the supplied loans and advances is challenged greatly. Credit risk management covers the identification, measurement, monitoring, and control of credit risk exposures, and its effective management is a critical component of comprehensive risk management, which is essential for the long-term success of a banking organization.

A credit facility is said to be performing if payment of both principal and interest are up to date in accordance with agreed repayment terms. The non-performing loans (NPL) represent credits which the banks perceive as possible loss of funds due to loan defaults. They are further classified as substandard, doubtful, or lost.

1.4 FINANCIAL PERFORMANCE

Financial Performance in a broader sense refers to the degree to which financial objectives are being or has been accomplished. It is an important aspect of financial risk management. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure a firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

The overall performance and position of the business should be evaluated based on a set of criteria that includes liquidity, solvency, profitability, financial efficiency, and repayment capacity. Each of these criteria measures a different aspect of financial performance and/or position.

1.5 ABOUT THE COMPANIES

The following companies have been selected for the research study:

1.5(a) Public Companies

1. Housing Development Finance Corporation Limited (HDFC)

Human Development Finance Corporation Limited (HDFC) is an Indian financial services company based in Mumbai, India. It is a major housing finance provider in India. It was founded in 1977 by Mr. H.T. Parekh. It also has a presence in banking, life and general insurance, asset management, venture capital, reality, education, deposits, and education loans. Currently, it operates in India, Kuwait, Oman, Qatar, Saudi Arabia, Singapore, United Arab Emirates, and the United Kingdom. Its annual revenue in the year 2021 was ₹139,071 crore and profits were ₹12027.30 crores.

2. LIC Housing Finance Limited

LIC Housing Finance Limited (LIC HFL) is one of the largest Housing Finance Mortgage loan companies in India having its Registered and Corporate office at Mumbai. LIC HFL is a subsidiary company of LIC. The main objective of the company is to provide long-term financing to individuals for the purchase or construction of houses or flats for residential purposes; the company also finances the purpose of repair and renovation of existing flats and houses. The company was incorporated on June 19, 1989, under the Companies Act, 1956. It is promoted by the Life Insurance Corporation of India and went public in the year 1994. In the year 2021, the company's Net Sales Turnover was ₹5054.29 Crore and profit and loss for the year were ₹767.33 Crore.

3. Indiabulls Housing Finance Limited

Indiabulls Housing Finance Limited is a mortgage lender headquartered in Gurugram, Haryana, India. It is India's third-largest housing finance company and is regulated by the National Housing Bank. It is part of Sameer Gehlaut's Indiabulls group and contributes approximately 80% of the group's turnover. Indiabulls Housing Finance Ltd (IBHFL) was incorporated on May 10, 2005. The products and services provided by this company- home loans, loans against property, residential construction finance, as well as lease rental discounting. Its annual revenue in the year 2021 was ₹10,030 Crore, and its profit after tax was ₹1,202 Crore.

4. PNB Housing Finance Limited

PNB Housing Finance Limited (PNB Housing) is a registered housing finance company with National Housing Bank (NHB). It was incorporated under the Companies Act, 1956 and commenced its operations on 11 November 1988. PNB Housing is promoted by Punjab National Bank (PNB). The Company came out with a public issue of equity shares in November 2016. Its equity shares are listed on National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) with effect from 7 November 2016. The company provides housing loans & loans against property as a part of its product portfolio and also holds the license to accept public deposits. During the year 2021, the Company earned a total income of ₹7,624.08 crores, and the Profit after Tax was ₹929.90 crores.

5. Piramal Capital & Housing Finance Limited

Piramal Capital & Housing Finance Limited, formerly known as Dewan Housing Finance Corporation Ltd. herein referred to as Piramal Finance. wholly owned subsidiary of Piramal Enterprises Limited (the flagship company of Piramal Group), is registered as a housing finance company with National Housing Bank (NHB) and engaged in various financial services businesses. Its main head office is situated in Mumbai, Maharashtra, and was established on 28th August 2017. During the year 2021, the Company earned a total income of ₹5,087.90 crores, and the Profit after Tax was ₹1,034.4 crores.

1.5(b) Private Companies

1. DMI Housing Finance Private Limited

DMI Housing Finance Private Limited (DHFPL), incorporated in 2011, is a private financial services company registered as a housing finance company (HFC). DMI Housing Finance Private Ltd is a

subsidiary of DMI Finance which has its head office in New Delhi. It started lending operations in FY2014 and primarily focuses on providing home loans and loans against property (LAP) to borrowers seeking affordable housing. It has 39 branches across 9 states (though 3 states, i.e. Uttar Pradesh, Rajasthan, and Madhya Pradesh, account for 2/3rd of the portfolio). During the year 2021, the Company earned a total income of ₹7,644.51 crores, and the Profit after Tax was ₹223.08 crores.

2. IndoStar Home Finance Private Limited

IndoStar Home Finance Private Limited is a Private incorporated on 01 January 2016. It is classified as a Non-govt company and is registered at Registrar of Companies, Mumbai. Shreejit Menon is the CEO of IndoStar Home Finance Private Limited and it is a subsidiary of IndoStar Capital Finance Limited. IndoStar Home Finance Private Limited provides home loans with affordable interest rates ranging from 8.5% to 18% p.a. for loan amounts of up to Rs. 30 lakh with a maximum tenure of up to 30 years and a processing fee of up to Rs. 2,500. Its annual revenue in the year 2021 was ₹13,406.75 Lakhs, and its profit after tax was ₹2,795.13 lakhs.

3. Umeed Housing Finance Private Limited

Ummeed Housing Finance Private Limited is a Private incorporated on 27 January 2016. It is classified as a Non-govt company and is registered at Registrar of Companies, Delhi. The focus of the company is to leverage technology in delivering a superior customer experience throughout the life cycle of the loan. It is founded by Ashutosh Sharma and presently he is the Managing Director of the company. In the year 2021, the company's total income of the year was ₹ 73 Crore and its profit and loss for the year were ₹46.6 Crore.

4. Aviom India Housing Finance Private Limited

Aviom India Housing Finance Private Limited is an unlisted private company incorporated on 18 February 2016. It is classified as a private limited company and is located in South West Delhi, Delhi. It is founded by Kajal Ilmi and presently she is the CEO of the company. They provide financial assistance for home buying, improvement, extension, and construction to families from semi-formal, informal sectors. AVIOM provides home loans without any income documents. Their first loan applicant is a Woman, having an average combined family. In the year 2021, the company's total income of the year was ₹89 Crore and its profit and loss for the year were ₹1.9 Crore.

5. Khush Housing Finance Private Limited

Khush Housing Finance Private Limited (Khush) is a company registered with National Housing Bank (NHB) as a housing finance company under National Housing Bank Act, 1987. It is a Private incorporated on 25 August 2011 and has an office in Mumbai. Amit Magia is the MD and CEO of Khush Housing Finance Private Limited in 2021. Khush Housing Finance Private Limited provides loans for buying homes, renovations, and loans against property and construction. In 2021, the turnover of the company was ₹62 crore and its net worth was 133 crore.

2. REVIEW OF LITERATURE

Table 2: 2.1 International Reviews

S No.	Author Name	Year	Title	Objectives	Findings
A. Credit Risk Management					
1.	Khairani, M., & Diyanty, V.	2022	Analysis of the Implementation of Credit Risk Management at PT BPR X	1. To analyze the implementation of credit risk management at PT Bank Perkreditan Rakyat X. 2. To analyze the problems related to high non-performing loans faced by the company.	The results of this study indicate that the implementation of credit risk management at PT BPR X refers to POJK No. 13/POJK.03/2015 has not been implemented optimally. This is because each stage of the credit risk management process carried out by the Company has not fully followed what is regulated in POJK No. 13/POJK.03/2015. In addition, the Company has not set a risk appetite and risk tolerance in measuring and assessing risk. The company also has not followed up on risks that have a significant impact.
2.	Ewanchuk, L., & Frei, C.	2019	Recent regulation in credit risk management: A statistical framework.	The main objective of this study is to analyze the recent trends and regulations of Credit risk management.	This study analyzes the resulting optimization problem for different models, relates it to the banking stress test of the European Union, and illustrates it using default data by

					Standard and Poor's. A low threshold allows banks to recognize credit risk early but leads to income volatility. When there is a significant increase in the credit risk of a loan, additional provisions must be charged to the income statement. Banks need to set for each loan a threshold defining what such a significant increase in credit risk constitutes.
3.	Incekara, A., & Cetinkaya, H.	2019	Credit risk management: A panel data analysis on the Islamic banks in Turkey	The main objective of this study is to determine the factors that affect credit risk management which is considered an important factor for stability in banking sector.	The researcher used the panel data regression method for analysis and the duration was from 2014 to 2017. The results of the study show that there is a positive significant relationship between credit risk and capital adequacy ratio, net profit share income, and the natural logarithm of total assets. In addition, a negative and statistically significant relationship was found between the gross domestic product variable and credit risk, which are among the macroeconomic variables of the study.
4.	Giri, S., & Panta, M.	2018	Factors Influencing Credit Risk Management at Saving and Credit Cooperative Societies	1. To determine the factors of credit risk on saving and credit cooperatives. 2. To evaluate the advantage of member training to credit risk management. 3. To find out the influence factors of credit risk in saving and credit cooperatives.	The researcher found that loan size and years of the timing of borrowers contributed positively to the loan and risk of credit. The factors such as interest rate, loan duration, the value of collateral, management inefficiency, the board's vested interest in investment, inadequate follow up and lack of training for the staff

					affect the loan's status.
5.	Kwabena A.B.M.	2014	Credit Risk Management in Financial Institutions: A Case Study of Ghana Commercial Bank Limited	1. Ascertain the extent to which Ghana Commercial Bank Limited manages its credit risk, the models and practices adopted by this financial institution to manage its credit risk, and what tools and equipment are at their disposal. 2. Examine the types of loans issued at Ghana Commercial Bank Limited. 3. Know if higher interest income in Ghana Commercial Bank Limited can also lead to lower bad loans. 4. Ascertain the type of committees that approve the different category of loans in Ghana Commercial Bank Limited.	The study shows that there is a significant relationship between bank performance (in terms of profitability) and credit risk management (in terms of loan performance). Better credit risk management results in better bank performance. Furthermore, the study shows that there is a positive relationship between profitability (ROE) and loan loss (NPA\TLA). It also shows there is an inverse relationship between higher interest income and lower loan losses.
B. Housing Finance Companies and Determinants of their Financial Performance					
6.	Rao, P.H.	2021	Covid - 19 and Performance of Housing Finance Companies in India	1. To assess the financial performance of housing financing companies in India during the pre and post covid-19 period. 2. To make a comparative analysis of the performance. 3. To assess the stock market performance of the housing sector during the same period.	The researcher the performance of the housing sector by taking five sample companies, namely, HDFC, LIC Housing Finance Ltd, India bulls Housing Finance Ltd, Aawas Financers Ltd, and CanFin Homes Ltd based on key parameters like Net Revenue, Net profit margin, Return on equity, Earning per share, interest coverage ratio and Growth rate in quarter-end stock prices of last five quarters starting from June 2019

					to June 2020.
7.	Saritha, Y., & Narsaiah, P.V.	2018	Housing Finance Evolution and Reach in India	1. To analyze the housing finance in India in general and Andhra Pradesh in a particular; 2. To examine the perceptions of customers of HDFCL, Nellore division, Nellore district 3. Identifying the major factors determining the home loan beneficiaries in the Nellore division. 4. To identify the problems in HDFC housing finance in Nellore division.	This study analyzes data by collecting data through a structured questionnaire. It is focused on the housing loan borrowers of HDFC in the Nellore division of Andhra Pradesh. The study is mainly intended to assess the perception of borrowers regarding the housing finance of HDFC. The various factors influencing the awareness and satisfaction of borrowers are also studied.
8.	Kavitha, A.	2017	Comparative Analysis of Selected Indian Housing Finance Companies Based on Camel Approach	To compare the financial performance of selected housing finance companies and standard them based on the CAMEL parameters.	The study shows that The main aim of this research paper is to analyze the financial performance of the listed Five Housing Finance Companies (HFCs) in India, namely Can Fin Homes, DEWAN Housing finance, PNB Housing Finance, LIC Housing, HDFC, by using the CAMEL model. Based on corporate governance practices & disclosures in the annual report for the years 2007-2008 to 2016-2017. For this purpose, the corporate governance score (CG score) is calculated for each HFC across the different parameters as per the Companies Act. These components are used to reflect the financial performance, operating soundness, and regulatory

					compliance of financial institutions.
9.	Piyush, P., Negi, H., & Singh	2016	Study of Housing Finance in India With Reference to Hdfc and Lic Housing Finance Ltd	1. To study the customers` satisfaction levels towards housing finance banks in India. 2. To understand why customers preferred HDFC and LIC Housing Finance Ltd. for home loan in India.	The study explained the meaning and significance of housing finance and the procedures of home loans it also examined the customers` satisfaction levels towards housing finance banks in India by taking different factors for checking satisfaction levels.
10.	Deb, B.C., Biswas, S.K., & Datta, R.	2011	Importance of Housing Finance Companies in the Development of Financial Markets of Bangladesh	Main Objective: to find the importance of Housing Finance Companies in the development of the money market of Bangladesh. Other Objectives: 1. To understand the concept of the money market; 2. To define present money market operations in Bangladesh; 3. To evaluate the financial conditions of Housing Finance Companies; 4. To identify the key relationship between HFCs and the money market.	The study shows that the HFCs are not active participants in the money market like other financial institutions (like banks). Despite this, they can play a significant role in the development of the money market through active participation directly. The study suggests that still, the housing industry suffers a huge deficit in deposit collection with respect to other commercial banks. As we have observed DBH have already covered the total loan and advances with its capital base, reserve, and deposits but the other two institutions mainly, HBFC needs to come forward with an aggressive strategy for deposit collection so that they can also cover the funding gap.
C. Impact of Credit Risk Management on Financial Performance					
11.	Zaidanin J.S, Zaidanin O.J.	2021	The impact of credit risk management on the financial performance	To measure up to what extent the independent factors defined by capital adequacy ratio, non-performing loans	The study reveals that credit risk management independent factors impact negatively on financial performance. It was suggested that

			of the United Arab Emirates commercial banks	ratio, cost-income ratio, liquidity ratio, and loans-to-deposits ratio impact the financial performance of sixteen commercial banks.	banks should continuously improve their assets utilization, liquidity, and techniques of managing operating costs, improve the impact of capital adequacy, and the use of deposits for lending activities from a weak positive impact to a significant positive impact on their profitability.
12.	Boateng K.	2019	Credit Risk Management and Performance of Banks in Ghana: the 'Camels' Rating Model Approach	1. To analyze the financial soundness of the selected banks. 2. To find out the relationship between the parameters of the CAMELS rating model and the performance of the selected banks. 3. To provide suggestions to policymakers on ensuring performance stability in the Ghanaian banking sector.	The study reveals that Earnings stood out as the highly significant factor that affects the performance of banks in Ghana. A percentage change in earnings will result in a whopping 82.5% increment in bank performance measured by ROE. Capital adequacy, asset quality, management efficiency, and liquidity were equally found to be significantly affecting the performance of Ghanaian banks.
13.	Nabi, M. N. & et al.	2018	Microfinance institutions of Bangladesh: The effects of credit risk management on credit performance	To investigate the effects of credit risk management on the credit performance of microfinance institutions in Bangladesh.	The study reveals that credit policy, credit risk control, credit collection procedures, and Institutional factor have positive effects on credit performance, and they are statistically significant at 5%, 10%, 1%, and 1% levels respectively; while credit terms and credit appraisals process have positive but insignificant effects on the credit performance of microfinance institutions.
14.	Ojong E.N, Bassey. O.I, Awo E.A	2014	The impact of Credit and liquidity risk	To evaluate the impact of credit risk and liquidity risk	The results revealed that there is a significant relationship

			management on the profitability of deposit money banks in Nigeria	management on the profitability of deposit money banks in Nigeria with particular reference to the First Bank of Nigeria Plc.	between credit management and bank profitability and there is a significant relationship between bank liquidity and profitability among deposit money banks in Nigeria. Based on the findings, it was recommended that deposit money banks should set up an effective system of internal controls to monitor the risk control mechanisms in use in order to ensure complete compliance with the bank's philosophy.
15.	Chales, Kenneth O.	2013	Impact of Credit Risk Management and Capital Adequacy on the Financial Performance of Commercial Banks in Nigeria	The overall objective of this study is to investigate the impact of credit risk management and capital adequacy on a bank's financial performance in Nigeria	The study concludes that sound credit risk management and capital adequacy impacted positively on a bank's financial performance with the exception of loans and advances which were found to have a negative impact on banks' profitability in the period under study. It was recommended that Nigerian banks institute appropriate credit risk management strategies by conducting rigorous credit appraisals before loan disbursement and drawdown.

Table 3: 2.2 National Reviews

S No.	Author name	Year	Title	Objectives	Findings
A. Credit Risk Management					
1.	Arora, R.	2021	Driving excellence in Credit Risk Management Practices in Commercial	The study aims for a comprehensive and systematic analysis of CRM practices of	The study concluded that the most functional CRM practices are – awareness about other banks' risk management systems, a strong loan appraisal and

			Lending – An Empirical Analysis of Indian Public Sector Banks	Indian public sector banks through their managers, for efficient control and mitigation of credit risk in business loans.	review mechanism, implementation of knowing your customer (KYC) norms, multi-tier credit approval process, risk-based appraisals, and controlling wilful defaults by all means. The study also observed that there are many statistically significant different managerial perceptions about several CRM practices and this might be affecting the decision-making and judgment process on loan appraisals, risk scoring, loan reviews, and other critical CRM processes and procedures.
2.	Santha Kumari K.B., Choudary Y.L.	2020	Credit Risk Management of Banks in India: A Perceptional Study Among the Selected Bank Executives from Chennai	1. To examine the status of credit risk in the banking sector in India. 2. To find out the factors /reasons for a higher level of credit risk in the public sector banks 3. To know the issues in the implementation of credit risk management among Public Sector Banks. 4. To study the organizational factors of credit risk management of public sector banks. 5. To identify the best measures to control credit risk among the public sector banks.	This study shows that the problems of NPAs branch-wise and age-wise should prepare a loan recovery policy for NPA. The banks have to be careful of the doubtful nature of operations in the account, overdraw, low rating score, and persistent default which are considered early warning signals (EWS). It was also found that major loss on account of credit risk is caused by public sector banks compared to private sector banks.
3.	Lavanya B., Maheshwari Y.	2018	Credit Risk Management in Nbfcs- A Comparative Analysis	1. To study the credit risk management system in the non-banking sector.	The data is analyzed using Merton model for credit risk and ratio analysis. Using Merton model, the probability of

				2. To examine credit risk and probability of default. 3. To determine the solvency credit worthiness of the select companies. 4. To compare the level of credit risk management practices of the companies under study.	default of Muthoot finance is found to be lesser when compared to that of Bajaj finance. Both companies are having higher NPAs which are to be reduced by adopting sufficient credit risk management practices.
4.	Sadayat, R.	2018	Credit Risk Management of Non-Performing Assets in Selected Public and Private Sector Banks.	1. To analyze the risk factors of selected public and private sector banks. 2. To analyze which type of credit risk management is used by banks. 3. To analyze which banks have higher credit risk.	This study evaluates the changes in the capital structure and solvency position of banks by using various risk indicators for highlighting the risk profile of Indian Banking entities. It also evaluates in detail the risk profile of the top five public sector banks and the top five private sector banks.
B. Housing Finance Companies and Determinants of their Financial Performance					
5.	Rekha, B. J., & Rajashree, M. G.	2022	Stability Of Housing Finance Companies In The Current Financial Performance: A Case Study	1. To analyze and compare the financial performance of the selected housing finance companies in India from the period of 2010-11 to 2019-20. 2. To make an overall ranking of the current financial position of the selected housing finance company as per the ratios computed. 3. To evaluate the stability of housing finance companies in the current financial performance with	The result shows that according to the overall ranking of ratio analysis the HDFC (Housing Development Finance Corporation Limited) and HUDCO (Housing Urban Development Corporation Ltd) are the best housing finance companies in India with a ranking of 2.1 and 2.3 respectively. The last position is secured by LICHFL with an average overall ranking of 3.9.

				future scenarios.	
6.	Jaggarwal, S., & Ahuja, K.	2021	A Review Study on Financial Performance of Housing Finance Companies	To make a review study on the financial performance of Housing Finance Companies.	The study reveals that Housing finance companies are facing a liquidity crunch. These are facing a huge problem of NPA (non-performing assets) due to unequal distribution of income nationally, the repayment capacity of a major portion of the middle-income group remains in doubt and the legislative structure of recovery of dues from defaulting borrowers is not very much effective in the country.
7.	Guha, D. et al	2020	An Insight into the Performance of Housing Development Finance Corporation Ltd. in the Housing Finance Sector in India	1. To study the operational performance of HDFC Ltd. 2. To study the financial performance of HDFC Ltd. 3. To understand the challenges and future opportunities of HDFC Ltd.	The study concluded that HDFC Ltd. has consistently endeavored to provide finances for house-building activity by incorporating the most demanding improved quality of services. Some of the main associate companies are attached to HDFC Ltd. Are HDFC Bank ltd, HDFC Venture Capital Ltd., And other associates serving with insurance activities and with other service sectors.
8.	Bansal, R.	2014	A Comparative Analysis of the Financial Ratios of Selected Banks in India for the period of 2011-2014	1. To determine the liquidity, activity, leverage, profitability, and market value ratios of AXIS, ICICI, HDFC, and FEDERAL bank. 2. To determine norms, industry figures, and peculiarities of the Indian banking sector. 3. To find a comparative financial analysis	The results of the research show that only Federal bank has the ideal current ratio of 2:1. However by comparing the Profitability ratio, Activity turnover ratio, Assets turnover ratio, Leverage ratio, and DuPont analysis of all the companies, it is seen that HDFC and Federal have fairly stable asset turnover ratio which indicates its efficient utilization of resources in revenue generation. Also, the Federal has the best

				among these banking companies. 4. To evaluate financial performance using DuPont analysis.	price-earning ratio among other banks.
C. Impact of Credit Risk Management on Financial Performance					
9.	Yadav, B., & Singh, K.	2022	An Overview of the Impact of Credit Risk Management on the Indian Banking Sector	To determine the various aspect of risk management techniques that might impact commercial banks' credit risk management.	The overall results suggest that the risk in public sector banks is higher than in private sector banks must continue to expand their capital base to confront any scenario of solvency risk. The researcher concluded that credit risk management processes in India had only minor flaws. The target markets, risk tolerance limits, and risk acceptance levels are all specified in these policies.
10.	Bahari, S., & Sarita, B.	2021	The Effect of Credit Risk Management on the Financial Performance of Foreign Exchange Banks	This study aims to describe the effect of financial credit risk management (NPL) on bank financial performance (Return on assets (ROA) and Return on Equity (ROE)).	The results reveal that NPLs have a positive and significant effect on ROA and ROE so that they can be used as information for foreign exchange banks in making policies related to improving bank financial performance. Partially credit risk (credit risk or non-performing loan / NPL) has a positive and significant effect on financial performance both in ROA and in ROE.
11.	Ali L, Dhiman S	2019	The Impact of Credit Risk Management on Profitability of Public Sector Commercial Banks in India	To know the statistical impact of credit risk management indicators on profitability of public sector commercial banks for the period 2010-2017.	The results of the research reveal that credit risk management indicators have a significant influence on the financial performance of selected public sector banks in India. The empirical findings indicate that ROA (profitability) is positively related to

					CAR, management quality, and earnings ability whereas it is found to be negatively related to AQ and liquidity.
12.	Singh S., Sharma D.K.	2018	Impact of credit risk on profitability: A study of Indian public sector banks	The objective of the study is to examine the impact of credit risk on the profitability of Public Sector banks.	The results show that there is a significant and positive relationship between ROA and CAR, LPNPL, whereas ROA and NPLR have a negative relationship. The banks should focus on credit risk management to reduce non-performing loans and attain maximum profitability.
13.	Heydari M, Abdoli M	2016	The Effect of Credit Risk Management and Capital Adequacy on Financial Performance of Business Banks	To study the effect of credit risk management and capital adequacy on financial performance of business banks from 2009 to 2014.	The results of data analysis using multivariate-linear regression at 95% confidence level indicated that there is a negative relationship between loss reserve on loans and previous maturity of credits and banks' performance. The results indicated that there is a positive relationship between the liquidity ratio and capital adequacy ratio with banks' performance.

3. RESEARCH GAP

Financial performance is a broad area of research because it is the center point of financial evaluation for any concern which includes profitability, solvency, liquidity etc. It is concluded from the above review of literature that most of the studies have been focused on checking the impact of credit risk management on the financial performance of banks. And in some studies, there is a comparison between credit risk management practices of public and private sector banks. Now-a-days credit risk management is not only affecting banks or its scope is not limited to banks; housing finance companies are also facing different impacts of credit risk and related risks on their financial performance. So, this study considers the impact of credit risk management indicators on private and public housing finance companies of India and comparison between them.

3.1 NEED OF THE STUDY

Credit risk management is not only important for banks but nowadays it also become important for other financial institutions like microfinance institutions, NBFCs, etc. It affects financial performance in very different manners. This research will be helpful to the employees of the selected companies through which they will get knowledge regarding the credit risk in the company and how it affects financial performance. Investors and other external parties will also get information about the indicators of credit risk management and its impact on the profitability, liquidity, and solvency of the company. Therefore, the need of a study has been proposed to make a comparative analysis of the private and public housing finance companies operating in India and analyze the impact of credit risk management on the financial performance of housing finance companies.

4. OBJECTIVES OF THE STUDY

1. To analyze the indicators of Credit Risk Management of selected Private and Public Housing Finance Companies.
2. To assess the impact of Credit Risk Management indicators on the financial performance of Housing Finance Companies in India.
3. To compare the impact of Credit Risk Management on the financial performance of Private and Public Housing Finance Companies.
4. To know the perceptions of Housing Finance Company's stakeholders towards the financial performance of companies.

5. RESEARCH METHODOLOGY

To accomplish the above objectives of the study, the following research methodology is proposed:

5.1 HYPOTHESES

Researcher has constructed the following Null Hypotheses.

$H0_1$: There is no significant difference among the indicators of Credit Risk Management of Housing Finance Companies.

$H0_2$: There is no significant impact of Credit Risk Management indicators on the financial performance of selected Private and Public Housing Finance Companies.

$H0_3$: There is no significant difference in the impact of Credit Risk Management on the financial performance of the selected Private and Public Housing Finance Companies.

5.2 DURATION OF THE RESEARCH STUDY

In this proposed study, five financial years will be taken into consideration commencing from the financial year 2018-19, 2019-20, 2020-21, 2021-22, and 2022-23.

5.3 SAMPLE SIZE AND CRITERIA OF THE SELECTION OF SAMPLE SIZE

The selection of the companies has been made based on Housing Finance Companies with asset size ₹100 Crore & above on 31-3-2018. There are total 72 companies in the list which is issued by the National Housing Bank are divided into 64 Public HFCs and 8 Private HFCs. The top Five Public and Private Housing Finance Companies have been taken for the study.

Table: 4: List of Public and Private Housing Finance Companies of India

Public Companies	Total assets (in Cr.)	**Private Companies**	Total assets (in Cr.)
Housing Development Finance Corporation Limited	5,67,598.58	DMI Housing Finance Private Limited	1,176.24
LIC Housing Finance Limited	2,35,633.32	IndoStar Home Finance Private Limited	890.35
Indiabulls Housing Finance Limited	83,472.27	Umeed Housing Finance Private Limited	671.13
PNB Housing Finance Limited	71,332.52	Aviom India Housing Finance Private Limited	533.83
Piramal Capital & Housing Finance Limited	52,656.68	Khush Housing Finance Private Limited	411.00

Source: National Housing Bank

5.4 COLLECTION OF DATA: For this research study, Primary and Secondary data will be taken into consideration.

5.4(a) Primary Data: Primary data is the data collected from the source, that's why it is known as first hand data. Data collected refined as information. It is generated through surveys, questionnaires, schedules, experiments, etc. Primary data is useful for research. These are designed to understand problem more deeply and thoroughly. The primary data will be collected from primary sources. A questionnaire will be prepared to obtain the perceptions of 400 stakeholders of the selected housing finance companies regarding credit risk management and financial performance. The distribution of respondents is as follows:

Table: 5: Categorization of Respondents

Type of Respondents	Total Sample
1. Shareholders	100 (50 Public Companies + 50 Private Companies)
2. Employees	200 (100 Public Companies + 100 Private Companies)
3. Customers	100 (50 Public Companies + 50 Private Companies)

5.4(b) Secondary Data: The Secondary data will be collected from various secondary sources like Annual Reports available on the respective company's websites, Ph.D. thesis, research papers, journals, magazines, periodicals, books, and newspapers.

5.5 RESEARCH TOOLS AND TECHNIQUES

Researcher will use statistical and accounting tools for this proposed study.

5.5(a) Statistical Tools

The researcher will use different relevant statistical tools such as Regression analysis, Correlation, Mean, Standard Deviation, etc. Some of these tools will be used on Primary data and other major tools used in the secondary data to analyze the outcome of the research. In addition to above stated statistical tool researcher may adopt other tools during the study.

5.5(b) Accounting Tools

For this research study, ratios that will be calculated for measuring credit risk and financial performance are as follows:

Table: 6: List of Variables/Indicators/ Ratios of Credit Risk Management and Financial Performance

Variables/Ratios	Indicated as	Explanation
Non- Performing Loan Ratio (NPLR)	Independent Variable	NPLR = Ratio of Gross NPA to Gross Advances
Capital Adequacy Ratio (CAR)	Independent Variable	CAR = Tier 1 capital + Tier 2 capital/ Risk Weighted Assets
Loan to Deposit Ratio (LD)	Independent Variable	LD = Total Loan / Total Deposits
Coverage Ratio (CR)	Independent Variable	CR = Interest Income on Loans / Average Gross Loans
Leverage Ratio (LER)	Independent Variable	LER = Total Liabilities / Total Common Equity
Liquidity Ratio (LR)	Independent Variable	LR = Liquid Assets / Current Liabilities
Loan loss provision ratio (LLPR)	Independent Variable	LLPR = Ratio of Provision for NPA to Gross Advances
Return on Equity (ROE)	Dependent Variable	ROE = Net Income / Total Owner's Equity
Return on Assets (ROA)	Dependent Variable	ROA = Net Income / Total Assets

The list of Proposed Regression Equation is as follows and will be used as per the requirement of the research problem:

$ROE = \beta 0 + \beta 1NPLR + \beta 2CAR + \beta 3LD + \beta 4CR + \beta 5LER + \beta 6LR + \beta 7LLPR + e$

$ROA = \beta 0 + \beta 1NPLR + \beta 2CAR + \beta 3LD + \beta 4CR + \beta 5LER + \beta 6LR + \beta 7LLPR + e$

Where $\beta 0$ denotes constant parameter

$\beta 1, \beta 2, \beta 3, \beta 4, \beta 5, \beta 6, \beta 7$ denote coefficient of independent variables

e is an error term.

6. OBJECTIVE WISE RESEARCH METHODOLOGY

Table: 7: List of Research Methodology according to Objectives

S.No.	OBJECTIVES	RESEARCH METHODOLOGY
1.	To analyze the indicators of Credit Risk Management of selected Private and Public Housing Finance Companies.	To achieve this objective, different types of ratios will be calculated and ranked by taking information from the annual reports of selected housing finance companies and ranking will be given according to the results.
2.	To assess the impact of Credit Risk Management indicators on the financial performance of Housing Finance Companies in India.	To achieve this objective, the researcher will examine the annual reports of selected Housing Finance Companies for analyzing financial performance and checking the impact of indicators on financial performance formulated hypothesis will be tested through various statistical and descriptive tools as per requirement during the study.
3.	To compare the impact of Credit Risk Management on the financial performance of Private and Public Housing Finance Companies.	For attaining this objective, the financial performance of selected housing finance companies will be compared and formulated hypothesis will be tested through various statistical and descriptive tools as per requirement during the study.
4.	To know the perceptions of housing finance companies' stakeholders towards the financial performance of companies.	To achieve this objective, a questionnaire will be prepared to obtain the perceptions of 400 stakeholders of selected companies.

7. PROPOSED CHAPTER PLAN

Table: 8: List of Proposed Chapters

Chapter No.	Chapter Name
Chapter one	Introduction
Chapter two	Review of literature
Chapter Three	Indicators of Credit Risk Management of Selected Private and Public Housing Finance Companies.

Chapter Four	Impact of Credit Risk Management Indicators on Financial Performance of Housing Finance Companies in India.
Chapter Five	Comparative Analysis of the Impact of Credit Risk Management on Financial Performance of the Selected Private and Public Housing Finance Companies.
Chapter Six	Stakeholder's Perception Towards Financial Performance of Housing Finance Companies
Chapter Seven	Findings, Suggestions, and Conclusion.
	References
	Bibliography
	Appendix

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